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TO: The Honorable James R. Fannin, Chairman Joint Legislative Committee on the Budget (JLCB)
The Honorable Jack Donahue, Vice Chairman Joint Legislative Committee on the Budget (JLCB)
Honorable Members of the Joint Legislative Committee on the Budget (JLCB)

FROM: J. Travis McIlwain, Section Director
John D. Carpenter, Legislative Fiscal Officer

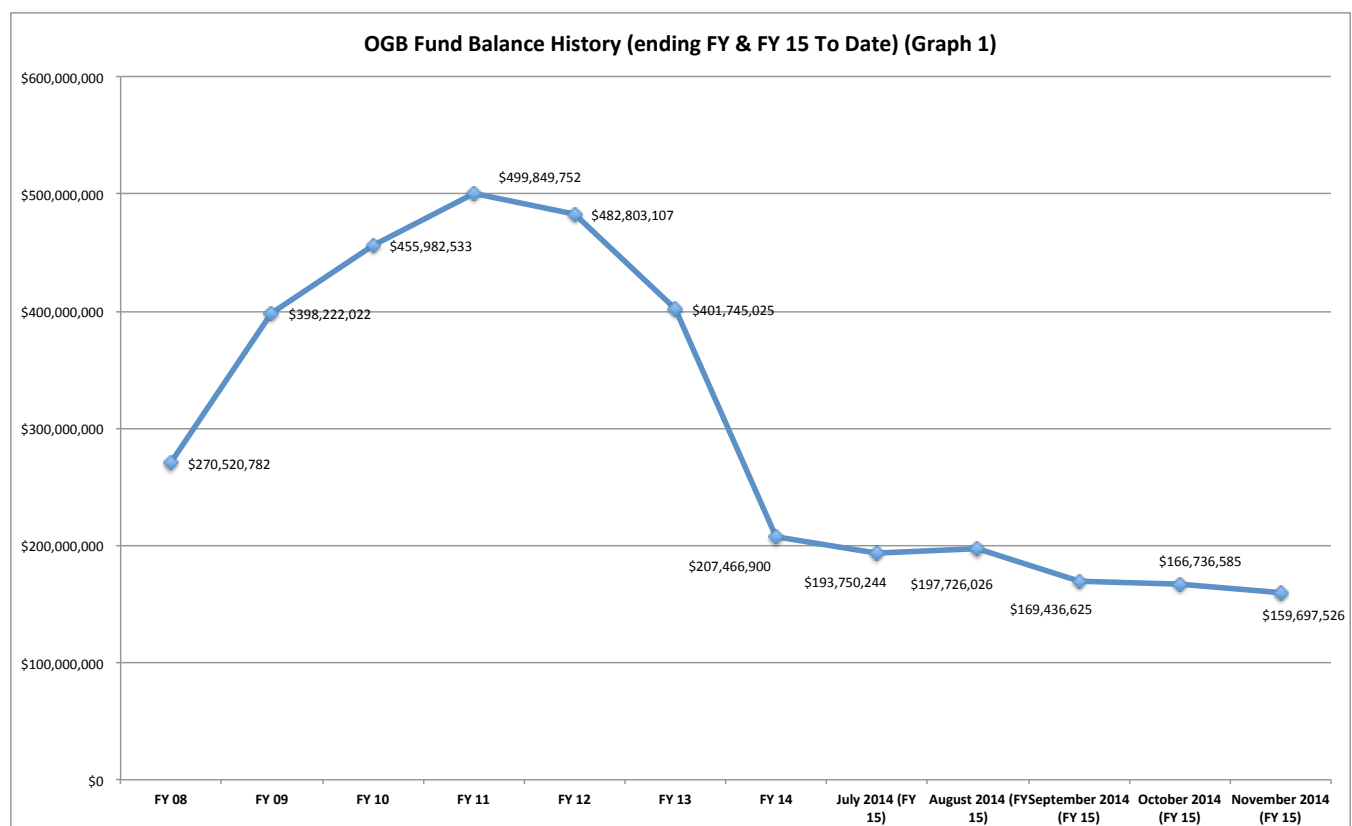
DATE: December 18, 2014

SUBJECT: Office of Group Benefits (OGB) Update (December 2014)

Graph 1 below depicts the OGB Fund Balance History from FY 08 to FY 14 along with the ending balance for the months of July 2014 through November 2014 (FY 15). During the month of November, OGB's fund balance lost approximately \$7 M.

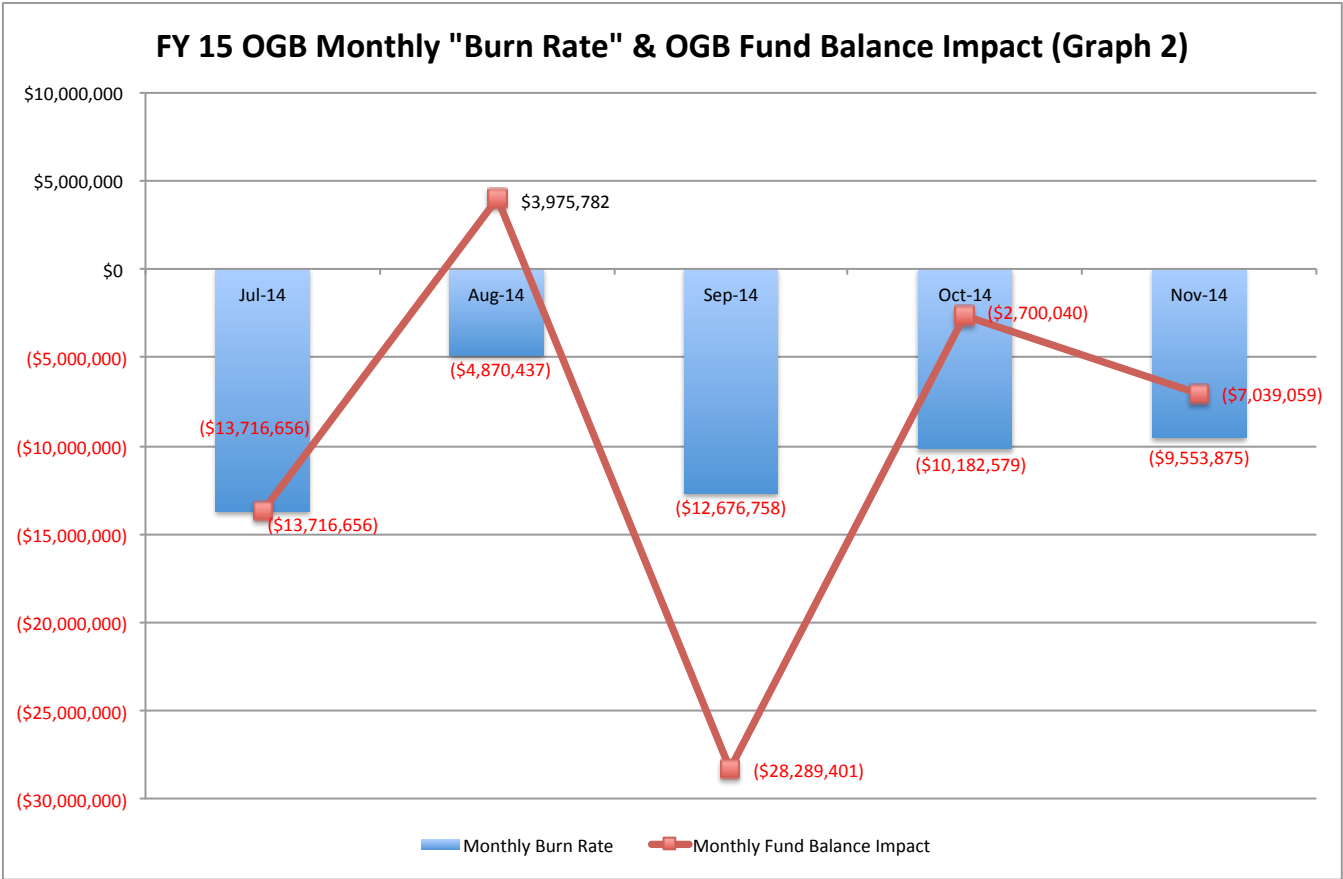
Since the beginning of FY 15, OGB's expenditures have been approximately \$48 M more than actual revenue collections through November 2014. This has resulted in the OGB fund balance decreasing from \$207 M to \$159.7 M. The decrease equates to an updated monthly burn rate of \$9.6 M per month through November 2014.

Note: The November 2014 financials include the re-adjudicated financial repayments to OGB members from implementing the August 1, 2014 changes without going through the administrative rule making process. The OGB anticipated these payments to equate to approximately \$4.5 M.

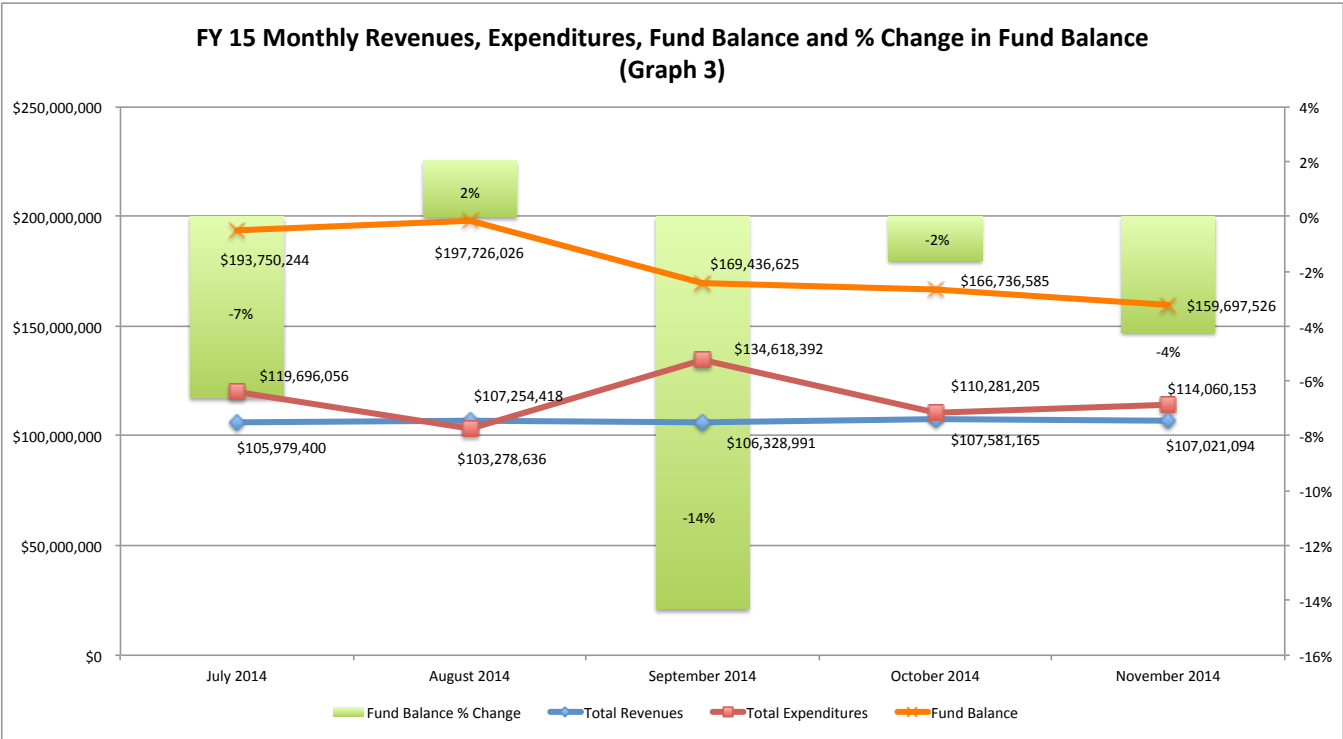


Graph 2 on the next page depicts the FY 15 Monthly OGB fund balance burn rate along with the monthly fund balance dollar change.

To the extent the burn rate does not change, OGB's FY 15 ending year fund balance could be less than \$95 M. However, once the new plan design changes go into effect on March 1, 2015, the current burn rate of \$9.6 M per month will likely be reduced, which may result in the FY 15 ending year fund balance to be some amount greater than \$95 M.



Graph 3 depicts FY 15 monthly OGB revenues, expenditures, fund balance and percentage change in fund balance through November 2014. November expenditure activity utilized approximately \$7 M of OGB’s current fund balance to pay expenditures, which is a 161% increase of fund balance use from October 2014 (\$2.7 M of the fund balance was utilized). In October 2014, OGB utilized approximately \$2.7 M of fund balance that is illustrated in the negative 2% change of OGB overall fund balance through the month of October, while for the month of November that negative percent change grew to 4%.



Graph 4 is a depiction of monthly medical claims expenditures through November 2014 (PPO, HMO and MedImpact Rx claims only) for FY 15. This graph can be found on the next page.

